

HB 3731

C726

1886

The Commercial Crisis.

LIBRARY OF CON



0 013 823 06

HB 3731
2726

VIEWS

—OF AN—

Eminent French Economist,

—ON—

THE COMMERCIAL CRISIS.

25

ALLEGED CAUSES

—AND—

REMEDIES PROPOSED.

TRANSLATED FROM THE FRENCH BY D. DROIN.

W. M. BAYNE PRINTER, 10 S. WATER ST., CLEVELAND.

Handwritten notes:
P. 10
H. 10
L. 10
B. 10

G

1886

HB 3731
9746

LOWER PRICES

—AND THE—

UNIVERSAL COMMERCIAL CRISIS.

Alleged Causes, and Proposed Remedies.

For the last two years the whole world is suffering from an intense commercial crisis, which few countries escape. *France*, for particular reasons suffers the most; but neither *England*, *Belgium*, *Italy*, *Germany*, nor even the *United States* and the *South American republics* are free from it. It is felt everywhere more or less according to the power of resistance. There are signs of a universal depression of trade. All over *Europe* and in *England* railroad profits are less. In *France*, during the last 5 years, trade has been constantly on the decline. The imports, which in 1880 amounted to 5,033,000,000 of francs, gradually went down in 1881 to 4,863,000,000; in 1882 to 4,821,000,000; in 1883 to 4,804,000,000; in 1884 to 4,343,000,000; and in 1885 to 4,215,000,000. The decrease in the amount of exports began with us at a more recent date. The highest point was touched in 1882, viz.: 3,574,000,000. Since then it has been going from bad to worse; it dropped in 1883 to 3,451,000,000; in 1884 to 3,232,000,000; in 1885 to 3,185,000,000. During the last few years imports have therefore decreased by 818,000,000.

which is equal to 16 per cent., and our exports, which have suffered less than the imports, are 389,000,000 or $10\frac{1}{2}$ per cent. less.

Of course the difference between the period of thrifty years and the present time is less, considerable, than it appears, because the lower prices have to be taken into consideration ; but it is this lowering of prices, which, owing to its generality and constancy, is most puzzling to those who have devoted the most attention to the question. It is hardly necessary to mention the reduced amount resulting from taxes, especially those imposed on riches, such as duty for registering, but also from the duties imposed on popular consumption, such as that on tobacco. Our politicians taken by surprise, as they were spending the public money as fast as they could, are very much troubled at this sudden decrease in the income. This ill luck affects other countries as well. To mention two instances only : England, (whose present Government is weak, and who is troubled with political dissensions), also has large deficiencies, but far less, considerable, than ours. Her trade has decreased as follows :

The Imports in

1884 amounted to £389,000,000 ; in 1885 they went down to £372,000,000, that is £17,000,000 less.

The Exports in

1884 amounted to £296,000,000 ; in 1885 went down to £271,000,000 that is £25,000,000 less.

Of course the lower prices have much to do with this difference, so much more so, that the English Commercial Statistics follow the variation of prices much more minutely than we do ; nevertheless the decrease in real trade remains important.

A country which (unlike France and England) has during the last few years been led by a prudent and wise administration, and whose finances are well conducted, Italy, suffers also, although less, from the general crisis. The imports of goods (precious metals excluded) from 1,317,000,000 francs in 1884, rose to 1,457,000,000 in 1885. Thus contrary to what took place in Great Britain, imports have increased ; but as this was on account of the bad crops, this increase does not mean a better state of affairs.

The Italian Exports from 1,065,000,000 francs in 1884 went down to

946,000,000 francs in 1885, and although the bad crops explain this partly, yet it must be acknowledged that the universal crisis has had something to do with it.

We should tire our readers uselessly if we mentioned figures of the trade of all the principal nations of the world. The statistics of Germany would also show that their trade has been affected by the universal depression.

The new countries, who with the presumption of their youth and strength believed they were invulnerable and could not be affected by the ills of the old world are now obliged to confess that their prodigious development is meeting obstacles and is relenting.

Imports of goods in the United States:

From \$723,000,000 in 1882-3, went down to \$667,000,000 in 1883-4.

The Exports have not met with better luck. From \$804,000,000 in 1882-3 they declined to \$725,000,000 (metals excluded), in 1883-4.

In the year 1884-5 instead of improving things have been worse. The exports from the United States dropped to \$688,000,000 in 1885, making a difference of no less than about \$200,000,000 since 1880.

In South America the Argentine Republic is suffering from great financial and commercial embarrassments. One can therefore say with truth that the whole world is under the evil influence.

What are the causes of this universal disturbance? How long will it last?

What remedies should be applied to re-establish the balance and render healthy the Commercial Constitution of the nations?

With reference to the origin of the crisis, opinions are very conflicting. Some only see in it one of those periodical catastrophies, which result from over growing, and always follow all great strides, but disappear by themselves. Amongst those who hold that opinion, some think the worst is now over, and that the patient is convalescing, they point out the signs they discern, group them together, and comment upon them.

One of these optimists, Mr. Clement Zuglar, who has made a special study of the crisis, perceives reassuring symptoms in the movement of the metallic reserve and portfolio of the banks. He thinks we have reached the worst and that the position is improving. A business man which in this matter seems to be a disciple of Mr. Zuglar, Mr. Jacques Siegfried gives

particulars according to which better trade is not far off. However, the ideas and previsions of other thinkers, no less systematic, are very different, they maintain that the present crisis is, dissimilar to all others, the cause not being natural, but artificial, that the mistake of a few governments having created it, they can very easily and in a moment destroy the cause of it. Just a clause of an international treaty would transform the present state, which is universal, into one of sudden and general prosperity.

These doctors, so affirmative, are the partisans of silver, the “bi-metal-listes” as they call themselves. They seem perfectly convinced and despise all the ignorant and misinformed people who don't divide their opinion. They assume the character of apostles. They have plenty of talent and can talk well. It is sufficient to mention the names of Mr. Emile de Laveleye ~~leye~~ in Belgium, the spiritual sarcastic and persuasive Mr. Cernuschi in France, and Mr. de Soubeyran in our Chambers to see that these doctors, whose remedy is unique and immediate, are far from being unimportant men. Silver they say has been put aside, gold introduced as the only monetary king: silver is having a terrible revenge, by throwing the whole world, into a crisis, out of which it will only come when silver resumes its position. Amongst those who have closely watched the present Commercial Crises, the ideas greatly differ. Some say it is the result of over production, man produces more than he requires; if he does not stop producing so much wheat, clothing, houses, humanity will die of hunger, cold, and will have no place to live in. The doctrine although singularly contradictory is not new.

Then come the protectionists who say the whole trouble is caused through not protecting yourselves sufficiently, all countries suffer because they buy too much, and don't sell enough. One must be more protected. When the different countries have acted upon this mysterious ideal of selling much to one another without buying from each other, when they shall have destroyed through customs duties all the productive forces of other lands, good times will come again and last without interruption.

Let us examine these different opinions. It is only of the influence of the monetary question upon the prices of goods and upon trade that we shall speak. Formerly there were two metals, silver and gold, sometimes rivals, at other times united, and whose aim

was the monetary organization of the world, which was sometimes divided between them. Each had its own territories. Gold reigned supreme in England and the United States and in Scandinavia. Silver had no rival in India or Germany, and reigned nominally in Austria and Russia. At last both metals after being enemies, became closely united friends and possessed together France, Italy, Switzerland, Belgium and Greece, or what was called the Latin Union. All had the same legal rights; one could always apply for payments to the one or the other, on the condition of giving $15\frac{1}{2}$ grammes of coined silver against 1 gramme of gold, or vice versa. That is what Mr. Cernuschi in his flowery language calls "pair bi-metallique." That par only existed in some countries, not in all, as we have just seen. After the war of 1870-71 Germany, proud of her success, and trusting in the power our 5,000,000,000 francs would give her, wished to change her monetary system. From the poor country that she was or seemed to be, she had the pretention of becoming a rich nation and acted accordingly. A rich nation with a cosmopolitan trade and ease in all classes must use gold (the "above all" precious substance), for her usual payments. Germany, then, faithful to the economical principles which Bismark has been trying for the last six years to make her give up, rejected silver and adopted gold as unique standard, refusing even to discuss the doctrine of double standard. This had been done previously by Scandinavia; others had also been asked to do so. France, for instance, in 1867, when Mr. Michael Chevalier, M. de Parieu and a number of enlightened bankers were pressing the Imperial Government to adopt the unique gold standard. The obstinacy of the directors of the Bank of France alone upset the project, and they are now very much grieved and worried at the enormous quantity of silver in her vaults. Germany was said to have withdrawn silver from circulation. But in fact she holds a large quantity of it yet; as an American writer remarks, in a late publication, she still holds more than \$100,000,000 of silver coin and these circulate more than in the United States. Germany, according to Mr. Cernuschi himself only withdrew from circulation 4,000,000 Kilogrammes of silver, which, according to our legal tariff are worth only 810,000,000 francs, and of these 4,000,000 Kilog. of silver which have ceased to be German, about 2,000,000 have been con-

verted in 5 franc pieces for the Latin Union. Therefore only about 2,000,000 Kilogrammes of silver went out of Europe to Asia, viz : 405,000,000 francs according to our legal tariff, and this is but an insignificant quantity. Mr. Cernuschi is therefore justified in saying, in a letter addressed to the *Times*, that the monetary stock of Europe is, on the whole, about as important as it was in 1881. Although the withdrawal from the circulation of German thalers is far from being so important as is generally supposed, the initiative of Germany, coincided with a radical change in the monetary situation of the world. The value of silver declined, that is, it possessed no more the value which the Latin Union monetary laws attributed to it comparatively to gold, the proportion of 1 gramme of gold to $15\frac{1}{2}$ of silver, which is a sort of conventional law, from which one cannot deviate, without great danger, was violated.

Already since February, 1867, or 4 years before the monetary conversion in Germany, the value of silver had been nearly always on the London market below that of our tariff. Instead of being to gold in proportion of 15.50 to 1, it was nearly always 15.60 or 15.65 to 1. But since 1872 the difference became greater. In 1872 it was 15.64 to 1, in 1873 15.93 to 1, in 1874 16.16 to 1; silver declined therefore successively 2, 3 and 4 per cent. The countries included in the Latin Union which constituted by themselves the region of gold and silver, and exercised a kind of condominium, and according to a tariff made in the beginning of the century, having equal monetary power, must have been deeply impressed by such a considerable change, which seemed compelled to increase in proportion to the value of the two metals. They were afraid that our monetary tariff being in contradiction with facts and too conspicuously unfavorable to gold, France, Belgium, Switzerland, would adopt more and more silver coin, this metal obtaining an increase of value when converted into Ecus (five franc pieces) and that most of our gold pieces would be withdrawn from circulation, as the value of silver as per our legal tariff, for this metal had dropped too much. Seeing the difficulty of practically keeping up the double standard, and the necessity of having in fact unique standard of silver if she didn't prefer to establish some way or other indirectly the unique standard of gold, the Latin Union, although with hesitation, took the latter course. France

resisted as much as she could, but Switzerland first, then Belgium insisted, and the Latin Union consequently suspended the ~~circulation~~ of silver entirely. coining

The depreciation of this metal continued ; and increased every day. Instead of the classical proportion (which with us is legal) of $15\frac{1}{2}$ grammes of silver, as equivalent to 1 gramme of gold, they quoted successively on the London exchange as follows :

IN	IN
1875 16.63.	1876 17.80.
1877 17.19.	1878 17.96.
1879 18.39.	1880 18.05.
1881 18.24.	1882 18.27.
1884 18.65.	1885 18.63.

that is to say that a silver ingot of 18 grammes, 63 was equal in value to a gold ingot of 1 gramme. Silver lost nearly 21 per cent. of the value which our laws attributed to it, and which it had “grosso modo” with frequent but small fluctuations, preserved until 1871. Therefore, what Mr. Cernuschi called the “pair bi-metallique” was completely out of existence, and then began what the writer described as the monetary “morbus.” To-day things are worse, the depreciation of silver is over 22 per cent.

Whilst mentioning the different turns of fortune of the metals, we have wished to avoid any discussion of principle, with respect to the use of the two precious metals as coin. It is sufficient for us to gather and put together facts, in order to find out what influence they may have exercised over prices. The first which had been seriously troubled is that of silver. What has been the cause of the considerable depreciation which it has undergone? Here we shall not detain you long. Mr. de Laveleye, Cernuschi and de Soubeyran affirm that the only causes of the lowering of silver to such an enormous extent, was on the one hand the withdrawal from circulation of the German thalers, and on the other, because the Latin Union gave up coining. We have seen above, that Mr. Cernuschi acknowledges himself that the withdrawal of the German thalers has been much less than is generally believed. In opposition to this explanation of the depreciation of silver, one can allege facts which are precise, and constant. That is, that the production of the

silver mines has not ceased to grow, at an enormous rate since 15 years, and that the expenses for extracting this metal, owing either to the discovery of more important mines or to the progress of the industry, are much less, whereas the production of gold instead of increasing has slightly decreased. A few figures on the subject may prove interesting :

The mines of silver of the whole world only produced during the period of 1851-55 an annual average of 886,115 kilogrammes, the outturn gradually increased until 1870; since then it has become immense. In the period of 1871-75 the yearly production went up to 1,969,000 kilog., or just double what it was 20 years previously. In the following 15 years it developed again considerably, and the average per annum rose to 2,450,000 kilog.; the figures of late years even surpass this :

IN.

1881 2,592,000.

1882 2,769,000.

1883 2,895,000.

1885 2,860,000.

The annual outturn has therefore more than trebled in 25 years. This increase maintains itself notwithstanding a depreciation of 22 per cent. in the price. Nothing shows that mines are likely to become less powerful. At the same time gold is following a different course, instead of increasing it decreases, not however in considerable proportions, but yet in a noticeable manner. In the period of 1851-55 the average production used to be 197,515 Kilog., even 206,000 in 1856-60 which represented more than 7,000,000 francs of gold produced every year. The outturn falls gradually to 172,000 kilog. in the period of 1876-80, and then growing less it went down to 158,000 in 1881, to 146,000 in 1882, 143,540 in 1883, and 140,000 in 1884; therefore, in 30 years it has decreased about 30 per cent.

Eighty years ago our monetary laws had assigned to these two metals a certain proportional value, the proportion was maintained until 1870, not however without variations, but they were slight. Then it happens that the production of silver is three times more than it used to be, whereas that of gold is a third less; is it therefore to be wondered at, that on the ingot market the value of the first should have dropped comparatively to the second?

Is it necessary to look out for any mysterious explanations? Is not the principal reason the change in the importance of the production? Formerly, that is in the period of 1851-55, 688,000,000 francs of gold were produced every year, against 199,000,000 francs silver.

The value of gold produced represented $77\frac{1}{2}$ per cent. of the whole production of precious metals and the value of silver only $22\frac{1}{2}$ per cent. In 1884 the proportions are almost reversed, the gold produced is annually 487,000,000 of francs, and that of silver 642,000,000; gold is now produced in less quantity viz.: 43 per cent., and silver 57 per cent. Such modifications cannot take place without a change in value.

Leaving aside the question about the real or principal cause of the depreciation of silver, the essential point to study, is the commercial crisis, examining whether the scarcity of gold has been able to exercise a sensible influence on prices, and on the whole commerce of the world. This alleged scarcity of gold is but relative, seeing that the yearly production still amounts to about 500,000,000 francs.

The numerous writers, English or French, who wish to see in the rarity of gold, the cause of the crisis, point out the simultaneity of the events. The price of all merchandises went down, they say, greatly, and are going down rapidly every day, and the beginning of the lower prices coincides as near as possible, according to them, with the withdrawal from the circulation of the German thalers and the stoppage of the coining in the countries belonging to the Latin Union. It is observed besides, that the production of gold diminishes at the time that a greater number of nations adopt that metal as basis of their monetary circulation.

Besides Germany the United States have taken up again paying in specie on the basis of the gold standard, although they are still coining, to be agreeable to the silver producers in fixed proportions, dollars which nobody will have. Italy, also, who has given up the "cours force" has taken of the rest of the world a large amount of gold, which she tries to keep carefully in the vaults of her banks. The extent of trade increases constantly in the whole world. Gold only follows now in an unequal manner, this increase in the commercial operations. That is the reason that, whereas 25 years ago a great num-

ber of people talked about the depreciation, to-day certain English theorists have created a new word "appreciation" of gold by which they mean the increase in value of this metal.

The same persons who see in the crisis a monetary cause, add that the loss of 20 to 22 per cent. of the silver value since a few years constitutes for the countries who have this metal for standard an enormous advantage, that they can sell their produces, say wheat at 22 per cent. less, and that the European agriculturist is at the mercy of the Hindoo cultivator.

In all those arguments are mixed facts, which have been more or less observed, and the deductions are but conjectures. The present crisis, same as all others, is characterised by lowering of prices of almost every thing.

The crisis is nothing else but an interruption or a diminution of circulation, of consumption, and a more advanced stage of the disease of production.

It is difficult to exchange. Lower prices and even the nominal quotation of price usually accompany all crisis.

When Mr. de Soubeyran lately in the Chamber of Deputies mentioned the change in prices from 1873 to 1885 he had much in favor of his argument.

Nobody can deny that most goods have gone down greatly in value. The Financier of course exaggerated in some cases, as he was not very particular about the dates in his comparisons. When for instance he said that wheat in 1873 was worth 41.50 francs per 100 lbs., Iron 30 francs, Cast Iron 113 francs, and that to-day they are only worth 21.25, 12 and 43 francs, which represents a depreciation of 49 per cent. on wheat, 60 per cent. on iron, and 62 per cent. on cast iron, Mr. de Soubeyran omitted to say that 1873 was an exceptional year for bad crops, and that the metal industry, under the impulse of a great movement of speculation, underwent a rise the like of which had not been seen in this century. To give the prices of 1873 and 1874 as normal was greatly altering facts. All these exaggerations were useless, to explain the lowering of the prices of nearly every article, natural or manufactured. It is but too certain, and although the average is not 50 per cent., yet sometimes it is one-fourth and one-third.

Although the less value is true, when we look at the prices of wheat, wool, cotton, iron, silks, colza and linseed oil, coffee, copper, lead, it is far from universal. Many articles have escaped or been only slightly affected.

By consulting special books on prices of goods, a good many articles are seen not to have varied in a notable manner since 25 or 30 years, viz: Tin lost nothing or very little. In 1861-70 it was 107s in London, in 1871-80 it was 100s, and in 1881-84 95s. This is far from the pretended average of 50 per cent. on all articles, and yet tin comes mostly from Asia, Sonds Islands and Malacca, who have the silver standard, and who, according to some theorists seen their shipments favored by the lowering of that metal. Besides tin, many other colonials are in the same position.

SALT, which is used everywhere, was worth during 1881-84; 12s in London against 11s in 1854-60, and 10s in 1861-70. This shows instead of a fall a decided rise.

SOAP hardly went down 12 per cent. from 1854 to 1884, in London, which is most directly influenced by the conditions of universal produce. It is the same with a very important article, viz:

BOTTLES, which sold at 117s per cwt., in 1881-84 against 120s in 1861-70, and 130s from 1854 to 1860.

COALS, although affected by the situation of metallurgy and steam navigation, English coals are just on the average what they used to be (110d per ton in 1881-84) in 1854-60; true to say in the interval they had risen in a notable manner.

If now we come to Colonials, with the exception of wheat, coffee and sugar, no trace is found of the famous average of 54 per cent., so much talked about. Let us leave aside *Wine*, the rise of which is explained by the phylloxera; but *Beer* is attacked by no insects; well, during the last 30 years it went up considerably, and instead of 69s per English barrel, which was its average value, during the period of 1854-60, it went up to 80s in the period of 1881-84. *Butter* has no insect to fear either, and is besides often adulterated through the addition of foreign substances, nevertheless the price in the period of 1881-84 is on the average 103s per cwt., against 84s in 1854-60, and in 1861-70 it is about equal to the average price, 104s. The same thing applies to cheese and eggs. By looking attentively at the list of prices one would discover many other articles which have not gone down since 25 years.

MEAT begins to decrease in value (in a very slight proportion it is true.)

but only since two years, and the average price of beef on the London market is, in the period of 1881-4 much superior to the previous periods; it was £84 against £79 per ton in 1871-80, and £56 from 1841 to 1850.

SKINS also were dearer in the last five years (64s per cwt.) than in 1861-70—59s.

There are even some natural articles which have notably advanced, for instance, *Pepper*, which sells 56s per cwt. in 1881-4 against 48s in the previous 10 years, and 37s in the period 1861-70.

The reader will excuse us from having entered into all these details, but in such matters it is necessary to be precise, and one can only do so by giving figures. This shows how far we are from a lowering of $\frac{1}{2}$ or $\frac{1}{3}$ in the prices since 15 or 20 years. There is a tendency to lower prices, but there are numerous exceptions, and sometimes very important ones. It is even more so the case, if, instead of considering the price of things, one looks at human services. Since 15 or 20 years it has been a constant rise everywhere. Whether liberal professions, or those formerly reputed servile, salaries and wages have gone up, and if since 2 or 3 years they remain stationary, there is no serious decrease.

We should like those people, who pretend all prices are half what they were, to try and reduce by 50 or 25 per cent. the wages of their servants, or the fees of their doctors, lawyers, or painters, etc. The discussion of the Budget in all countries, protests against this pretended lowering of prices, for it is never question but to raise the salaries of petty employees, post office men, schoolmasters, etc. Therefore, as the price of human services contributes as much as the price of things to constitute the general price of living, it will be seen how superficial is the remark that everything has gone down one-half or one-third.

It is evident that if the cause of the present depression was the increase of the value of gold, all prices without exception would have felt the influence. The value of human services, should have suffered as well, and declined in an important manner, whereas this is not the case.

Some other cause, or rather other causes, must be found for the weakening of prices of goods, and it is not difficult to all observers, who have no party spirit to arrive at a precise solution. It is sufficient to observe that, in

all articles that have gone down, two circumstances are noticeable. That the production is much more abundant, and that the expenses are far less than they used to be. Wheat, Cotton, Coffee, Iron, Cast-Iron, Copper, all articles which have decreased in value offer these conditions. This has been told so often, that it seems almost useless to repeat it. Nevertheless as there are still men who attribute to the lower prices, one single cause, an imaginary one, such as the increase in the value of gold, it is necessary to state the real causes for each principal colonial produce. It is a fact that all statisticians have demonstrated, that the quantity of wheat put at the disposal of the civilized nations, has increased tremendously since 20 years. According to Mulhall, Europe possessed in 1850, about 360,000,000 acres of cultivated land. In 1870, 440,000,000 (or 180,000,000 hectares) and in 1884, up to 482,000,000 acres (or 198,000,000 hectares). Taking into consideration) our small portion of the globe, the cultivated surface (area) has increased 34 per cent. about, in less than 35 years. If it is added that the improvements in the manner of cultivating have been numerous, and that the outturn has increased everywhere, it will be seen how much greater agricultural production has been during the last 25 years in Europe, than the increase of population, and this is only a slight cause of the lower prices. The over production of new countries which has been added to the development of production in the old world, makes the difference much more out of proportion between the production of colonials and that of the population. One estimated at 55,000,000 acres the area cultivated in the United States in 1850, at 88,000,000 acres in 1870, and at 157,000,000 in 1884. Therefore, in 34 years the extent cultivated has all but trebled, and almost doubled in the last 14 years.

The British Colonies, besides India, have not been far behind America, their cultivated area was 12,000,000 acres in 1850, 18,000,000 acres in 1870 and 25,000,000 acres in 1884. Contrary to all the provisions of Matthews and Ricardo, during the last quarter of a century produce (for subsistence) in all the civilized countries of the world has increased much more rapidly than the population. Another man reputed for the accuracy of his statements, Mr. de Neumann Spallart, says the business of Cereals of the civilized world has more than doubled from 1869 to 1879. Altogether the im-

portation of *Cereals of flour* of the nations belonging to our group of civilization, was only 1,636,000,000 of marks (2,045,000,000 of francs, \$409,000,000) in 1869-70 ; it rose to 3,268,000,000 (or 4,085,000,000 francs, \$817,000,000) in 1879. Since then it has receded slightly,

This increase not only applies to grain, but it is the same for a good many articles, the prices of which have gone down.

The total production of Cotton which was estimated at 1,192,000,000 pounds weight in 1840, and 2,398,000,000 in 1860, remains about stationary during the period that followed (10 years), in 1870 it was only 2,474,000,000 that is merely an increase of $3\frac{1}{2}$ per cent. in 10 years. This was on account of the Civil War and the suppression of silver, (withdrawal from the circulation) but this was only temporary, and after 8 or 10 years a change took place. The plantations in the South were soon reconstituted with free workmanship. The American Union which only produced 1,540,000,000 pounds cotton in 1870, had in 1880 a crop of 3,161,000,000 pounds, and in the whole world the production was 4,039,000,000 pounds or 67 per cent. increase in the short space of time (10 years). This increase, however, is unimportant compared with that of *Wool*. Cotton must be planted, but it is sufficient to open new ground for cattle for them to multiply and with them their wool.

A Commercial Circular from an Antwerp broker, establishes in a striking manner the relation of prices with the quantities of wool imported in Europe. If one considers only the production from the three principal producing countries, Australia, the Cape, and the Plata, in 1864 Imports were only 458,000 bales, in 1868 they are nearly double 879,000 bales, the prices then go down to 1.35 francs and fall even for a time to 0.85 francs in 1869 the lowest price ever known.

During 5 or 6 years Imports remain about stationary or develop but slowly and prices become firmer. But in 1877 the Imports are considerable 1,272,000 bales or 40 per cent. more than 5 years before ; the prices go down in about the same proportion. During the following 2 or 3 years the Imports remain stationary and prices go down. The production increased, Imports of wools in Europe are estimated at 1,740,000 bales in 1885 when prices go down notably. In 1886 colonial wools amounted to 1,888,000 or double

the Imports of 1872, and four times that of 1864.

As this business man says with much common sense, and he is not acquainted with the subtleties of bi-metallists, it is doubtless that the production is the great regulator of prices, for wools as well as for grain, coffee and other articles. Wools have not been wanted in proportion to the strong and regular increase in production, and prices therefore dropped. When the real cause is so evident, why have recourse to mysterious causes to explain the lower prices. The only thing necessary is to open ones eyes. The increase of production has fallen off considerably, although less for coffee, in 1885 only 321,000 tons were imported from countries in connection with Europe; whereas, in 1865, 422,000; in 1875 505,000; in 1881, 588,000. In this case the increase from 1865 to 1881 is less, being hardly 40 per cent. in 16 years, but consumption is less, which is the case for all articles of luxury or half luxury. The production of sugar owing to the premiums offered by the government to makers, has grown more than that of coffee, Mr. de Neumann Spallart estimates at 16,750,000 metrical Centals the production of cane sugar in the civilized world in 1867. Up to 1877 production is very slow, then it is 18,800,000 Centals, but in 1881-82 it is more than 25,000,000 metrical centals or an increase of one-third in 5 years. *Beetroot Sugar* is not behind and from 15,066,000 in 1879-80 it went up to 21,709,000 in 1882-83, or an increase of 40 per cent. in 3 years.

Since then it seems that the production of sugar has been further developed. Is it astonishing that consumption should follow at an unequal pace an offer which grows at such a rate? A simple examination will convince any impartial person that the cause of lower price, for metals, as well as other articles, is the production. *Fine Copper* has been most depreciated during the last 15 years, but then in 1850 they only produced 45,250 tons of it, whilst in 1860 the outturn amounted to 67,370, and in 1870 to 82,120 and by a prodigious bound it jumped in 1880 up to 120,000 tons, and to even more in the years that followed. The same thing can be said of Lead. In 1830 the production was only 104,000 tons; in 1850. 170,500 tons; whilst in 1880 it reaches 379,000 that is more than double in 30 years.

Iron has not been behind either, quite the reverse, in 1850 the production amounted to 4,280,000 tons, it went up gradually to 10,550,000 in 1870,

then 14,230,000 in 1871-80 as average of 10 years, and at last 19,820,000 in 1882. It nearly doubled in 12 years.

The increase in the production of coals has been nearly as rapid in the whole civilized world. Against 62,900,000 tons in 1850, it rose to 141,000,000 in 1860, and 344,000,000 in 1880, which represents an increase of about 145 per cent. in 20 years. We might name many other instances. If now instead of the special and precise causes of the lowering of the price of each article we examine the general causes, they are easy to find. The silver question has nothing to do with it. The general causes can be said to be the following. The whole world is better explored than it was 20 years ago, so that all natural riches, better lands and better mines are known. Capitals are more abundant, because there has been more saving and because of the better condition in all classes, people move easier, undertake more, and are more willing to displace their capitals than they were 25 years ago, so that the simple news of the discovery of some natural produce, never mind where, immediately brings forth attempts to derive profit out of it. Under this respect the development of anonymous societies has an importance the extent of which people only just begin to realize. Small individual capital has been substituted by the collective force of many, and sometimes increased ten times. If Capitals have had more tendency to emigrate to colonies incurring risks of all sorts, men themselves have become less sedentary and they follow with ardour, capitals, wherever these call them, if they find it profitable. The progress of industry which manifests itself in hundred ways by inventions, discoveries, or even simply by improvements, or slight modifications which workmen call "tours de main," have contributed and contribute every day to the constant development of production and to the lowering of prices. The last reason which is not the least, is the improvement in transports especially by sea since 15 years.

It has been reckoned that thanks to the new vessels and to better knowledge of commercial routes, to the cutting of the Isthmus and opening of new parts, to the telegraph by which orders can be sent so quickly, (so that less time is lost at ports of loading, waiting for orders), every English sailor carries now twice the quantity of goods than he did in 1870, three times more than in 1860, and four times more than in 1850.

These are the undeniable causes which have acted and continue to act on the supply of the world. To look elsewhere for an explanation, is to close ones eyes willingly. It is useless to observe that silver metal has lost or is actually losing 22 per cent. of its value, or rather of the value which our monetary tariff attributes to it, and that gives to the Indians an advantage for their exportations. Amid so many phenomenas, so great, and so accentuated, this is but a trifle, quite insignificant. Most colonials which have dropped in price, are not produced in the countries where the silver standard has been adopted.

The great copper markets for instance, are not in the east, but in the west, viz.: Spain and especially the United States of America. It is the same with iron and wool, which comes more especially from English Colonies, who have a gold standard. Australia and the Cape, also the Argentine Republic which before the "cours force" used gold. Even sugar and cotton are mostly produced in countries where the lowering of silver metal has no direct influence.

Besides it is necessary to study the real effects of depreciated money on the external trade of a large country. Some people pretend that the lowering of silver metal in India, constitutes for her an enormous advantage, because it allows her to sell her goods at a price which calculated in gold, is below that of her competitors, on the other hand almost all the financiers of India and England talk of the embarrassments, caused by the depreciation of silver to the Indian treasury. India has considerable remittances to send to England, and part of her debt for public works and railroad, is payable in gold. She is so much the less in the possibility of buying, and therefore, so much the poorer on account of the loss of value of her money.

If one admits the principle, that depreciation of money constitutes an advantage in the country affected by it, Russia ought never to be more prosperous than when her rouble goes down. The Argentine Republic and Brazil, than when their paper loses a new fraction of its nominal value. One ought to deduce also that all countries which 5, 10 or 15 years ago, (such as Italy and the United States) had their paper money, wanted to resume paying in specie would have acted wrong, because substituting a strong money to a weak and more variable one, they would have rendered their

exports more difficult. That at first the weakening, slow and gradual of the monetary values of a nation may help in a certain measure to develop exports is admissible, but this is a transitory phenomena, all prices soon take their level, salaries and emoluments rise, the temporary advantage which the producers and shippers derived from the depreciation of money disappears.

If the foreign trade of India has notably increased during the last 15 years, if the exportations of wheat rose from 1,755,000 cwt. in 1873-74, to 6,340,000 in 1877-78; to 19,863,000 in 1881-82, and to 14,151,000 in 1882-83; and that of rice from 19,805,000 cwt. to 31,031,000, one can show for this better reasons than the depreciation of silver. The causes are the following: The considerable development of Indian railroads, the Suez Canal, and the constant reduction of its tariff, also the reduction of freights.

Railroads and steamers are the great levellers of prices, nothing can compare with them. In 1870 English India only possessed 4,775 English miles of railroads, which was very insignificant in such an enormous Empire. It gradually increased in 1883 to 10,144, and now it is about three times what it was in 1870. One seems to forget that in India as in most new countries, railroads are of recent introduction. The Suez Canal has not either been in existence a very long time, only having been opened to navigation in 1869, and it took a good many years to build a fleet of steamers able to make use of it.

Then the tariffs of this canal have been very much lowered. In 1873-74 the duty was still 13 francs per ton, and was increased by the pilotage duty, etc., which made a total of 14 francs.

Since the beginning of 1885, the pilotage duty has been abolished and the passage duty reduced. Vessels only pay now 9.50 francs to go through. Freights have been also considerably reduced. I see in the "Bulletin du Canal de Suez," that the rate of freight during the 5 years following the opening of the canal, frequently amounted to £3½ or £4 per ton (82 to 100 francs) from Calcutta to Europe, and £1.10 or £2 (37.50 to 50 francs) from Bombay to Europe, where as in the beginning of this year they had dropped to £1.10, £1.12 from Calcutta, and 15s or 16s from Bombay. This is a reduction of at least half. Add to this all the improvements introduced to

facilitate the loading and unloading of ships, such as elevators for grain and all the other new facilities in the ports. One will find in these circumstances a cause for the depression in the value of goods, far less problematical than the depreciation of silver. With reference to precious metals, when people talk of the diminution of gold production having brought about the lower prices, there is another consideration which should not be omitted. It is not true that it is necessary for the maintenance of prices that the quantity of precious metal which forms the standard, be legal, be in use, increase in proportion to the extension, and if we can say so, the amount of business done. Many recent discoveries allow economy in the circulation of the precious metals. Cablegrams for instance are now used all over the world, the canals at present in existence, the improvements in steam engines, all these have reduced the use of precious metals in the international trade. In order to carry 1,000,000 francs in ingots from America to England, it only takes six or seven days instead of fifteen or twenty which were required 20 years ago. Gold ingots will be brought from Australia to England in thirty-five days instead of ninety days 25 years ago. Gold is, therefore, less time on the way, which is equivalent to an increase in the real quantity disposable. And then payments by compensation from one market to the other, have become more varied and abundant. The mere development of international personal property, permits to transfer capitals from one country to another without touching a gramme of gold. Bank bills have reached all classes of the population to a larger extent, and cheques are used everywhere for payments. Being accumulated in the great banking establishments, precious metals undergo less loss either through carriage (transports) or material losses or by being treasured up in an occult manner. The whole world, therefore, uses far less metal either at home or in their international connections. Those who pretend that the crisis has been caused by the monetary conditions, ignore these facts which are undoubtable, and which party spirit alone can hide from intelligent men. It is, therefore, a very superficial and unreasonable opinion to attribute low prices of goods to other causes, but to the cultivation of new lands and easier intercourse, the easier transmission of capitals produced in old countries and becoming much more productive in the new, the improvement of communications by sea and by land: the con-

stant weakening of maritime and railroad freights since 25 years, and also the mechanical, chemical and technical improvements which have taken place in manufacturing. To all these prominent causes of depreciation, must be added one which is accidental and temporary, viz.: the weakening caused by the prolongation of the crisis which has lasted so many years. Speculation is discouraged, it is paralyzed. Speculation is quite as necessary to trade as Archilles was to the Greek Army, it gives the impulse, keeps up prices and brings hope. Without speculation everything languishes. Trade will only revive seriously when speculation comes out full of confidence in the future.



PART II.

It was necessary to show that the crisis from which the whole world suffers has no monetary origin, since important men have made the question so incomprehensible with their long arguments on the depreciation of silver that it was necessary to prove by facts how wrong is their supposition. But then, the reader will say, from what precedes, the cause of the crisis is over production. Too much of everything has been produced, and humanity is poor, because it is too rich. A great many men are not able to eat, to dress, and to find houses, because too much food, too many clothes, and too many houses have been produced. Over production, that is the great evil. It strikes everybody that this explanation is rather strange. When presented in a clear manner as we have just presented it in a few lines it seems rather paradoxical. Is it really the case that too much has been produced? Can too much be produced? And at all events is it possible that over production can bring misery to the population? The supposition of an excess of production, particularly when referring to subsistence can hardly be admitted. Humanity has so many wants, natural or artificial, that it never will be satisfied and one will always be able to work for it. Wants increase every day. When man is warmly clad and can put no more on his person, he thinks of putting carpets in his house or tapestry against his walls. Consumption is limited. It can be said with reason that if it is so in general, it may be that there is excess in production. Somebody who wanted to prove that one could produce too much of the same thing, took the example of coffins. Even if their price did lower consumption would not be greater. It is perhaps the only thing of which one can talk in such an absolute manner, and in this case one might say that if the production of coffins became easier and less costly, some people would buy them of

superior quality, so that even for this article which is only used once by everybody, it is impossible to say that the investing is limited in an absolute way, for if it is for quantity, it is not for quality. Another example, cradles and beds, of course the quantity cannot be extended indefinitely. Every year are born in France say 1,000,000 children, it is evident that if 3,000,000 cradles are produced, under pretext of improvement, although prices were lower, they would not sell, at least not in France. Few people want two or three cradles for one child. Therefore there are certain things the consumption of which is limited, at least in quantity, for as to quality it may improve. What we say of cradles applies to beds also. Some other articles are in the same case, as clogs and shoes; you could reduce price as much as you like, if all the population be provided, you will not be able to sell them easily. Few people want to imitate King August of Poland, who collected them. It is true that many people, however rich, think that old shoes, not too much damaged, have their merit, as well as old wood, old wine and old friends. But it is not everybody in the world who wears boots and stockings, and for this reason there is more room for production than one thinks. When the price of these articles goes down people change more frequently, and it has been noticed that since ordinary articles most in use are cheaper, one does not repair so much.

If for certain articles of personal use the production can be considered as limited to a certain quantity, everything over that limit is too much for the consumption, it is the same thing with some articles which are not destined to the immediate wants of the people, but are used as instruments in doing their work. Suppose for a moment that improvements for the making of needles or pins, suddenly allows to produce five or six times as many of them, it is evident that the quantity made will not find an exit. Nobody buys needles just for pleasure; they are used for sewing, and as it does not follow that one will increase one's sewing work because needles are cheaper, too many needles would be produced. Of course if the price was considerably reduced one would not be so careful about them and the consumption might perhaps double, but it would be absurd to suppose that the consumption would be five times greater than it is now, just because the price is lower. It may be said that for all instruments used in this time of advanced civilization,

consumption is limited, to a certain extent at least. Too many weaving, or spinning machines, too many engines or wagons, too many steamers can be produced; it seems to us that for the last, the excess of production is far too great.

In 1877 the steamers built in Great Britain represented a tonnage of 221,000 tons; in 1878, 287,000 tons; then in 1879, 297,000; in 1880, 364,000; in 1881, 408,000 tons. This great activity in ship building continued in the two years that followed, that is 1882 and 1883. Then, the aggregate tonnage being far too great, the building slackens.

In 1870 the aggregate tonnage of the steamers of the whole world represented 1,918,000 tons, and in 1883 it went up to 7,330,000 tons. The effective power of carrying has increased also much more than the tonnage. The engines are now so perfect that they have more power, although they consume less combustible, so that a vessel having less coals to take can carry more goods and goes quicker, better arrangements have also been made in the ports, which make loading and unloading much more rapid, and so there is less loss of time. A few examples will show this progress. They represent the quickest passages from Europe to America.

Formerly it was considered marvelous that the Great Western took only nineteen days and two hours from Bristol to New York. Three years later the *Britannia*, from Liverpool to New York, took only fourteen days and one hour. In 1875 the *City of Berlin* did it in seven days eighteen hours, and in 1882 the *Alaska* in six days twenty-two hours.

With respect to long passages the "tea runner" called "*Sterling Castle*," in 1882 went in twenty-nine days twenty-two hours, from Hankow to London, fast steamers are now very numerous, consequently the carrying capacity goes on increasing. Ten or 12 years ago it was computed that a steamer had a carrying capacity three times that of a sailing ship of equal tonnage, now-a-days it is computed at five times the capacity. It has been reckoned that in 1883 the steamers of the whole world representing an aggregate tonnage of 7,330,000 tons, carried 10,945,000 tons of goods. If this is the case for steamers, the same excess can be said to have been committed for rails, metallic bridges and for the generality of metallurgic producers. It is the

opening of new roads, the cultivation of new lands, the bad crops of the old world, the constant progress in the art of navigation which have caused the exaggeration of ship building. On the other hand governments have helped by their premiums to merchants, and more so also by public works on too large a scale, thus imparting an artificial activity to the constructing of machinery, which could not last. To-day, in order to get up again, they are trusting to the torpedo boats, to the men of war and on the substitution of wooden sleepers on railroads by metallic ones. We have examined which produces could be exaggerated, but it is not so for all categories of goods, those offered to men for direct consumption cannot be offered in too great quantity. It is not the same thing with stuffs, sugars, coffee, meat or even houses as it is with locomotives or steamers which are simply instruments of work. Humanity has not enough of the first, but does not know what to do with the second. Amongst wealthy people, to say nothing of those in trouble, a good many would use more carpets, curtains, sweets, would take more meat, more coffee, more wheat if not under the shape of bread as flour for stiffening of all sorts, or to feed chickens, etc., many would live in better houses but for two obstacles. Prices and habit. Of all these things it cannot be said that there is exactly excess of production, if the offer is more than the consumption, it is not that consumption could not absorb them, but because it is prevented doing so by circumstances which may only be monetary. Let us take houses in Paris, for instance; it is usual to say far too many have been built. Financially, that is with reference to the interest of the builder, this is true, but not with respect to the wants of the people. Everybody in Paris complains of not having sufficient room; those who occupy two rooms want three, and those who have three want four or five. If they don't move it is a question of expense and of habit. Let prices weaken and the new habits be contracted, and it will be found that there are not too many houses for the Paris people. The same can be said of stuffs, sugar, coffee, and everything of personal consumption; production is not exaggerated, but the price is too high, and it takes time to get into new habits. A man of fifty or sixty who never had any other carpet in his bedroom except a rug, and only a small carpet in his drawing room, cannot make up his mind suddenly,

even if prices are low, to furnish his house in a more comfortable manner. Periods of low prices are bound to come now and then in a very progressive society. They are useful in this way, that they cause a thorough investigation to be made, and a great effort to produce with more economy, also create new habits. When talking of excess of production it is necessary to distinguish these two classes of produces, which are very different. The first consists in things of which man does not make personal use, such as machinery, rails and sundry instruments; it even includes articles destined to personal consumption, but the use of which is strictly limited. For instance coffins, cradles and beds cannot be used in greater quantity than that required.

It is not the same with the second class of produce, which is by far the most general, and which is destined to satisfy the varied wants of men. In this case the offer cannot exceed in an absolute and definite manner the wants and wishes of mankind. The difficulty in selling can only be momentary and arises not from over production, but because produced at too high a price, or because some of the articles produced answer to a natural want of men, but for the use of which, new habits have to be acquired, and this always takes time. It is often said of children that they have grown too much, this expression is not exact and ought to be completed, for nobody wishes them to become smaller, if that were possible. It is only meant that they have grown too fast and that effort was momentarily too great for the constitution, therefore, it weakened the subject who must be treated carefully to become strong again. Now it is exactly the same thing with overproduction. It need not be supposed that men must produce less; but the production having been too rapid and the new habits not having been acquired yet, it is only a matter of time and will come gradually.

This growing fever is just the same thing with the social organism as with the human organism. Nature and time are the only remedies, and a good diet is required also.

P A R T I I I .

One must beware of empirics and quacks who are constantly telling men in power what they ought to do. The first of these doctors are the protectionists. They say too much is produced in the whole world, that we cannot compete against universal competition. The remedy is at hand, it is the proscription of foreign goods and the encouragement of national producers. This way of thinking is gaining ground. We don't know of any more unreasonable, the longer I live, the more I observe, the more I compare, the more does the utter absurdity of protection reveal itself to me by undeniable facts. Protectionism is greatly answerable for the present crisis. It cannot be denied that there exists concomitance between this state of things and the enforcement of protectionism in Europe and in America since 1878. Some will say it is by mere chance that the renunciation of commercial liberty should have been followed by a great crisis. Very well, let us not insist upon the simultaneity of the two phenomenas. But judge for yourselves of some of the effects of protection by a few examples. Amidst things the production of which have most increased and which are most depreciated are steamers, rails, and metallurgic produce, also a much used colonial produce, sugar. Well these are in most countries of the world protected heavily. Too many steamers have been built and freights are so low that they are not remunerative. Is it to be wondered at? England went in for ship building with the energy she had acquired, and her usual liveliness and predominance. But here are other countries offering premiums to builders and merchants. France spends in this way 12,000,000 a year. Italy is beginning to do the same. Spain has differential duties to protect her ships. Governments who don't offer direct premiums give them indirectly under the name of postal subventions. Every day new ones are cre-

ated. How is it possible to stop ship building, when all over the world so many fictitious encouragements are offered, therefore of course there are more steamers than goods to carry. The disproportion must be so much more the greater, that everywhere protectionism reduces as much as possible the quantity of freight. It endeavors by protectional duties to stop mostly or entirely the importation of all foreign goods, wheat, maize, cattle, iron, etc. If you want to have a navy, if you subvention it, it ought really to have something to carry, and it can only carry goods coming from, or going to, foreign countries.

The protectionist policy of France, and many other countries, is summed up in this admirable maxim ; “To have the largest navy possible, thanks to subventions, and premiums with as small a quantity of goods to carry as possible, thanks to prohibition and protectional duties.” The deplorable effects of protection are none the less in the metallurgical industry in general. Everywhere it is protected by extraordinary duties. In France they represent 50 to 60 per cent. of the value of the goods, and yet it is one of the industries that suffers most, for the reason that everywhere duties have been exaggerated. In the United States, in Russia, Austria, Italy and Spain, also with us, people have been told that they shall never start sufficient blast furnaces and manufactories. This has brought about curious results. According to some special paper, locomotives made in Spain have been sold on the English market. That is a fine success ; true or not, the fact is typical. The Spanish treasury which is as poor as possible would find means of subventioning her industry so that it could, thanks to gold paid by tax-payers, compete with the countries most advanced in manufacturing, and on their own markets. Italy, which was in the habit of ordering her locomotives first from England and France, then in Germany, manufactures them herself, although she has no combustibile. All nations are exerting themselves to develop their exports, some to obtain the direct premiums, others, such as Germany, for the indirect ones which the Government offers by putting railroad tariffs below cost price.

Formerly export trade was comparatively the most profitable : now it pays the least. One is satisfied with obtaining the equivalent of the manufacturing expenses, the only consolation being that the general expenses have

been somewhat reduced. The metallurgical industry is everywhere in the greatest embarrassments, brought on by protectionism, causing so many blast furnaces to be erected everywhere with the aid of the tax-payers. Another cause, it is true, has added to its troubles. We shall talk about it later on. I refer to the immense orders of Governments.

The absurdity of protection is shown better in sugar than in anything else. Everyone knows how complicated the laws on sugar are : new ones are made every year. They want to get a fiscal income out of this article, but at the same time they want the sugar industry to be the first in the world. France works it, so does Germany, Austria, Italy, Belgium, Holland, and further away Russia. Through some ingenious system each of these countries offers premiums to exporters of national sugars. The result is that this sugar trade, owing to these exaggerated favors, has gone completely out of its natural ways.

Everywhere production is exaggerated, the cost price is no consideration, the only thing aimed at is the export premium. A French sugar refiner told me sugar would be made in sufficient quantity to sweeten the sea. So much has been produced on account of Government premiums that prices have gone down and continue to drop every day. The Governments increase their their favors, which will increase the depreciation of the article. Although the influence is less palpable in most cases yet the protection policy is nevertheless unfavorable to industry in general. If the sale of most of our produces destined for export has been curtailed, one of the reasons is that France has converted most nations to protectionism. The example we gave has been followed by others. We refuse foreign wheat, cattle, and cotton goods, and foreigners refuse our Paris articles, our silks, our furniture and our wine. The principal cause of this disproportion between the production and consumption of certain articles, is the custom house duties. It has a double effect. It stops exports and encourages new manufactories whose produces are also certain not to find an outlet. Furthermore trade treaties exist, so to say no more, as they don't include a fixity of duty. The result is, first, a great difference between the tariffs of the different countries, and secondly, a great instability between international connections.

The recent affairs in Roumania and Roumelia are a good illustration of what I have said. No one knows, a few months beforehand, the exact duties which will have to be paid to introduce certain goods into certain countries. Besides this uncertainty, the constant changes in international politics is also a threat to the regular course of trade.

Another cause of the crisis is the exaggeration in the undertaking of public works by government, the whole of the European Continent and some remote countries such as the Argentine Republic, Australia have undertaken great works of pretended public usefulness. The idea that great works cannot be indefinite, that their efficacy is limited, that after a certain time they are in the way of the previous ones, and give no more help, no drawing stimulant to the industry of a country, such simple idea does not enter the frivolous minds of those who are at the head of parliamentary nations and especially democratic people. When a large country boasts six good ports it derives from them an advantage, but if it should have 1,000 of them what would be the result. It is as if a man instead of having 1, 2 or 3 doors to go into his house, had nothing but doors on the whole of the ground floor. The same can be said of roads and canals. If there are too many, they are only depriving the agriculturists of useful land. The intelligent proprietor of an estate of 50 or 100 hectares, will not multiply roads indefinitely and would not say that the more he had of them the richer he would be. On the contrary he will consider it an expense to keep them up, and therefore, have as few as possible. This also applies to railroads. In a country of 500,000 square kilometres, the first 20,000 kilometres of rails are the most useful, the 5,000 following are less so, the third 5,000 kilometres are almost superfluous. It is a kind of luxury which can be indulged in by using ones income, but which it would be unreasonable to undertake with ones capital. After this the railroads built would only carry a few passengers, but does not cause the country to produce one hectolitre more wheat or wine than it did before. Every new kilometre of railroad opened in France brings in 5,000 or 6,000 francs, people forget that this is not new traffic, but four-fifths of it is taken from parallel lines. All these useless public works add to the expenses and cause instability of industry. They have contributed in taking away from the agricultural dis-

tricts thousands of workmen, causing a rise of wages, and at the same time making them more exacting and undisciplined. It has given a fictitious activity or development to metallurgical industry, disturbed budgets, caused deficiencies, necessitated new taxes, increased public debts, or compelled them to suspend paying their usual amounts. Many thoughtless people are still urging the government to help workmen by starting new public works. If all these people who advise would only think, they would see that any intervention from the state is one of the causes of instability, disorder, and squandering, custom house laws which are constantly being changed, modifications which threaten the metallurgical industry, sometimes, landed property, the liberty of making new contracts, inconsiderate public works, new loans, new cities, etc., etc. All these have contributed to the present depression, and now contribute to prolong it. The first step to be taken in order to put an end to the actual state of things, would be to make protection less severe and do away with all state socialism. Production would then find a more natural outlet all over the world, without being stopped by movable fences, goods would answer better the wants of the consumers. Before this equilibrium between production and consumption can come back everywhere, it is indispensable that the cost price should be reduced and also that new habits should be adopted by the consumers. As it has been explained that most articles (there are but few exceptions) cannot be more numerous than the varied wants of mankind, the expression "over-production" simply comes to this, that things have been produced at too high a price to suit consumers, or that one has produced too rapidly, before men have contracted certain new habits, which require time. Therefore, cost price must be brought lower, and it can be done this way. If the French Government had had a little more foresight during the last 7 or 8 years, and it could easily during such a period of peace (the longest known in France) it would have reduced taxes by 200,000,000 or 300,000,000 fcs. For instance it would have been easy to reduce of 1 per cent. duty on transactions in landed property, to do away with the tax on goods per express trains, to abolish registering and stamp duty. With a little economy municipalities might also have given up a good many "centimes additionnels" on patents and customs duties, on materials and combustibles. In this manner the state would have contributed to

reduce cost price of the production of the country. If instead of useless expenses for public works, the government had arranged with railroad companies (which would have caused less sacrifice) to diminish of 1 or $1\frac{1}{2}$ cents the carrying per ton, and per kilometre of all French goods for consumption in large towns or for export, or if it had encouraged companies to start an accelerated service at moderate rate which would have been between "grande and petite vitesse" (fast and slow trains), the government would have contributed efficaciously in lowering cost prices of French goods. This would have been far more intelligent than to build canals which nobody uses, second and third rate ports which nobody visits, railroads the traffic of which is so small, and mostly taken from other lines previously existing.

Furthermore if the government reduced their staff, instead of constantly increasing it with useless people, it would contribute greatly to alleviate industry. Another thing which might help in diminishing the cost price would be to lower the rate of interest of profits on capital. Interest on capitals and profits on industry must be lowered.

It is what we are coming to.

In our "essay on the repartition of riches and tendency to less inequality between classes" we minutely described the causes and effects of this great social phenomena. Let governments reduce their extraordinary expenses, stop spending thousands of millions uselessly, let them leave something at the disposal of industry and agriculture, and you will see the rate of interest go down. People will be satisfied with 3 per cent. certain, and manufacturers and merchants will be satisfied with $5\frac{1}{2}$ or 6 per cent.

The government has also of late years caused great uneasiness with its incessant loans. It prevented the lowering of interest, which would in a certain measure lower the cost price of production. Of course, it will take time before new habits are contracted and before the higher classes can get accustomed to a phenomena which depresses the situation and mars their prospects. In the said essay we think we have proved that men are coming quicker than they think to less inequality in human conditions.

Manufacturers and merchants will have to be satisfied with less profit, it will be more difficult to hoard up large fortunes, they will have to live cheaper, and the same applies to agriculturists. People attribute to foreign

competition the responsibility for the present state of affairs. The principle cause is elsewhere, you must look for it in the ways of living adopted of late years by many who had been prosperous and suddenly successful, also the scarcity of rural laborers and their habits of misconduct and laziness.

To bring back durable lower cost prices something else is necessary, and that is better workmanship. It is useless denying the fact that workmen in the western countries, clever under many respects, have got accustomed to new ways of living. A sudden increase of pay, a superficial education, also political and civil rights given them, which neither their fathers nor themselves did possess. The emigration to large towns and on the other hand the scarcity of workmen in the country, are circumstances which as it was to be foreseen, have contributed to mislead workmen and more especially those who lead them. The result is that they have been running after higher salaries or have become lazy and have partially given up daily work. In 1883 salaries in Paris were, stone masons 1.20 francs per hour, stone layers 90 centimes per hour, brick-layers 85 centimes, wood-floor makers 9 francs a day, etc. It would be fortunate indeed if such remunerations could be paid to ordinary workmanship, but it is not the case. On the average nine-tenths of the men, even those who work are far from these rates. Workmen in the west, particularly those of the United States, England and France, forget that they have constituted, through special circumstances, a kind of aristocracy in the world of work and as other aristocracies they have given way to exultation in some cases they have lost the taste for work, in others the conscientious manner in which they used to do it. Then leaders or chiefs have tried to make them give up sentiment and habits which make a good and solid workman. In this, western civilization runs a great risk. When China is opened, when its population of 350,000,000 or 400,000,000 souls, have railroads, steam factories and capitals, salaries will have to be levelled everywhere, same as the price of goods had to come down to its level. Exceptional remuneration, two or three days a week without doing any work, will be impossible with the competition of the (extreme east) China labor. It is better to be prepared for this before it is too late. Capitalists must also submit to less profit, workmen (those at least who had forgotten themselves) must resume their former regular habits of

conscientiousness, in some cases emoluments will have to be modified, a compensation will be found in regular work and in the lowering in general of price, of things necessary to subsistence. In order that consumption be on the level of production it is not sufficient that cost price be less, because government taxes are less, interest and profits less, but a new commercial organization is requisite in most countries, in France especially, too many useless men are employed in government offices, the position is very abnormal. Prices of produces go down for the producer but not for the consumer in the same proportion; this comes from the numerous mediums between the wholesale cost price and the retailer's sale price, and these mediums, brokers, etc., don't even make sufficient themselves now-a-days.

It is sufficient to say that in Paris, in 1854, there was one baker to 1800 inhabitants; to-day there is one in 1300. The development of education and well being which have made so many people despise manual work, is the principal cause of this absurd organization. It is about the same in all trades. The consequences are two fold. A great many people are wanted in the country and workshops, and cause an increase of general expense for production in general. Secondly, the consumer does not gain by the lower prices, therefore he does not buy more. The equilibrium between a larger production and a stationary consumption cannot be established, and under this respect Governments have nothing to do, but producers on the one hand, and the consumers on the other, are working mischief which they could prevent. They ought to agree to open stores to sell goods at retail at a very small profit on wholesale cost price. Failing this it would at all events be well if companies, or capable men, should undertake to organize small trading on a different basis. There is a whole reorganization to be made before the buyer can feel the advantage of lower cost price, so that the producer be encouraged by the increase of consumption. The enormous stores against which so much has been said have given the example, for dry goods and furniture, and in this case the public derive an advantage; the same must be done for colonial produces, and even rents must be lowered. On these conditions the balance will be re-established between production and consumption. When prices are lowered the consumer will adapt himself to new habits, will buy more and the crisis will be ended.

Not one of the proposed reforms is impossible to undertake, if people are
2 with its exaggerated ordinances, left free to do it, but most are obstructed
, by the intervention of the State, its disloyal competition to private enter-
prise, or too heavy taxes.

We have tried to explain the origin of the present crisis. It is more general than any previous one, because arising from sudden change in production, and especially from increased circulation in the whole world. And for this reason it will last longer. Nevertheless if Governments were wise, it is likely that in one year or eighteen months a notable improvement would be seen everywhere. We are aware that many of our readers expect more from empiric remedies than from a healthy and normal diet. We receive letters urging us to ask the Government to buy up factories or mines and open them to workmen, to reform legislation, so that workmen be interested in profits, to borrow more and more for building purposes, etc. We admire the credulity of these good people, who, without having thought about work, capital, saving, enterprises, give such foolish advice, which, if followed, would make things considerably worse. The interference of Government in all this question is very detrimental and can never be a regulating one. We only request the government not to mix up in everything and irritate people, to diminish expenses and contribute by economy to reduce cost price, bring back confidence. You ask too little, will you say? No, because with its imaginative disposition it may not be willing to concede even as much.



LIBRARY OF CONGRESS



0 013 823 069 7 ●